MFP COMMITTEE #3
June 9, 2008

ADDENDUM

MEMORANDUM

June 5, 2008

TO: Management and Fiscal Policy Committee

FROM: Stephen B. Farber, Council Staff Director SBF

SUBJECT: Composition of the Board of Investment Trustees (Expedited Bill 6-08)

The Board of Investment Trustees manages more than **$3 billion** in assets for the County's employee retirement plans.[1] The MCGEO collective bargaining agreement "reopener" would change the Board's composition. From its inception in 1986 until 2004, the Board had 9 trustees, including 1 union trustee. The Board now has 13 trustees, including 3 union trustees. The reopener calls for 16 trustees, including 5 union trustees. It also would make the MCGEO president a permanent ex-officio trustee. See the excerpt from Expedited Bill 6-08 on ©1-2.

On May 14 the Council unanimously agreed to defer a decision on the proposed changes "until the Council further reviews the implementing legislation...." The Council agreed with the Management and Fiscal Policy Committee that **"this will enable the Council to examine how the Board functions with its current membership and assess the implications of the proposed changes and the concerns expressed by the Retired Employees' Association."**

On June 9 the MFP Committee is scheduled to consider the implementing legislation for these and other provisions of the reopener. Mr. Faden and Mr. Drummer have prepared the packet for this meeting. Since the Council is not familiar with details of the Board's internal operations, I have prepared this memo to provide important background information. The memo is based on my 17 years' experience as a Board trustee, including 4 years as Board Chair.

I believe that the Council should not support the proposed changes to the Board's composition. To buttress this view, this memo discusses the following points:

1. **The Board is an investment board, not a benefits board.**
2. **The Board needs investment experts, not bargaining experts.**
3. **The unions are already overrepresented on the Board compared to retirees.**
4. **The unions are already overrepresented compared to taxpayers as well.**
5. **The Board would not benefit from becoming even larger.**
6. **The Board's union trustees have taken some actions that are not in the best interest of participants and beneficiaries. More union trustees would worsen this problem.**

[1] The plans include the **Employees' Retirement System** (a defined benefit plan with current assets of $2.8 billion), the **Retirement Savings Plan** (a defined contribution plan, $130 million), and the **County Deferred Compensation Plan** ($255 million), as well as the **Elected Officials' Plan** and the new **Retiree Health Benefits Trust**.

Background

In setting up the Board in 1986, the Council concluded that 3 of the 9 trustees should be representatives of employees (1 represented, 1 non-represented, and 1 retired), 2 should be public trustees "knowledgeable in pensions, investments, or financial matters," and 4 should be senior County managers (the Directors of OMB, Finance, Human Resources, and the Council Staff). This 9-member model is widely used. For example, the 9-member board governing the MCPS pension fund, which also covers members of 3 unions, still has only 1 union trustee.

In 2004 the Council agreed to increase the Board from 9 to 13 trustees, including 2 more union trustees (making 1 from each of the 3 unions) and 2 more public trustees. With 3 trustees now on the Board, the unions are now very well represented, quite apart from their proven ability to effectively make their case directly to elected officials. The pending reopener provision would add 2 more MCGEO trustees and 1 more public member.

The 3 current union trustees are Gino Renne, president, Municipal & County Government Employees Organization (MCGEO/UFCW Local 1994); Walter Bader, former president, Fraternal Order of Police Montgomery County Lodge 35; and Jeffrey Buddle, vice president, Montgomery County Career Firefighters Association (IAFF Local 1664). Over the years I have enjoyed working with these union trustees and their predecessors, including IAFF Local 1664 president John Sparks.[2]

There are many sound policy reasons to reject the proposed changes to the Board's composition:

1. **The Board of Investment Trustees is an investment board, not a benefits board.** While some retirement boards elsewhere play a role in both investing retirement fund assets and setting the level of benefits, in this County these functions are totally separate. If they were combined, the unions might need to have greater representation on the Board, but this Board has nothing to do with setting the level of benefits, which is addressed through collective bargaining.

2. **The Board needs investment experts, not bargaining experts.** The Board's investment performance, which ranks highly, is of critical importance. The continuing rise in benefits negotiated in collective bargaining places constant pressure on the retirement system. The ERS' current funded ratio is only 79.5 percent, rather than the current 90 percent average for state pension funds. The current unfunded liability is $631

[2] Union leaders sometimes describe those who disagree with them as having an "anti-union bias." The views expressed in this memo reflect my obligation as a **fiduciary** of the County retirement plans; the **duty of loyalty**, as expressed in County Code §33-61C (Standard of Care), is that a fiduciary may act "*only in the best interest of the participants and their beneficiaries.*" My association with unions began long ago when I worked in the merchant marine and was a member of the maritime union. Later, as executive assistant to New Jersey Governor Richard J. Hughes, I helped establish one of the nation's first comprehensive public employee bargaining systems. Still later, as executive director of the National Governors' Association, I worked closely on policy issues with the leadership of AFSCME and other unions. I also worked closely with the Marine Engineers union, which owned the large building (on North Capitol Street in D.C.) that we turned into the Hall of the States.

million. **A 0.1 percent decrease in the ERS' annual investment return would require $2.7 million more in taxpayer support for the fund.** While most trustees have at least some investment expertise, the public members bring direct operating experience. If the Board must grow in size, the additions should be **investment experts** – i.e., public trustees.

3. **The unions are already overrepresented on the Board compared to retirees.** The ERS now has more than 5,500 retired participants, whom the unions do not represent. There are about 5,300 active employee participants, of whom several hundred are non-represented employees. Yet the unions already have 3 trustees, while retirees have only 1. See the letter on ©3 from Retired Employees' Association president Suzanne Hudson.

4. **The unions are already overrepresented from a fiscal standpoint as well.** Of the annual funding provided to the ERS, **87 percent comes from taxpayers**, with just 13 percent from represented and non-represented employees combined.[3] (**All funding** of the new Retiree Health Benefits Trust, which the Board will also oversee, comes from taxpayers.) Yet the unions already have 3 of 13 seats on the Board (23 percent). On this and other points, see the letter on ©4-5 from retiree trustee Meg Menke.

5. **The Board would not benefit from becoming even larger.** Having already grown from 9, a functional size, to 13, the Board would now grow to 16. And if this increase is approved for MCGEO, the other 2 unions will certainly want more trustees as well, if not now, then in the future.

   In fact, the unions apparently want many more trustees. MCGEO's questionnaire for Council candidates in 2006 included this question:

   > Would you initiate and sponsor legislation that would change the composition of the Montgomery County Retirement Board of Trustees to require that 50 percent of the board be trustees from the 3 county employee unions?

   To get to 50 percent now would require **adding 7 union trustees** to the current 3, for a total of 20 Board trustees. To get to 50 percent while also adding 1 new public trustee for every 2 new union trustees, as in the pending contract provision, would require **adding 16 union trustees** and 8 public trustees, for a total of 37 Board trustees. To get to 50 percent while adding 1 new public trustee for every 1 new union trustee, as was done in 2004, would require hiring a large hall for Board meetings.

6. **The Board's union trustees have shown a divided loyalty.** Trustees are fiduciaries. As noted above, their **duty of loyalty**, as expressed in County Code §33-61C (Standard of Care), is that a fiduciary may act *"only in the best interest of the participants and their beneficiaries."*

[3] The FY07 Comprehensive Annual Financial Report for the ERS shows that the County (i.e, taxpayers) contributed $109.4 million while employees (represented and non-represented combined) contributed $16.4 million.

The Board's union trustees have taken some actions that are not in the best interest of participants and beneficiaries. For example:

• Starting in 2000, the Board tried to hire an **outside record-keeper** to help reduce fees and improve service for the 6,000 participants in the **Deferred Compensation Plan**. The existing fund options with **Hartford** and **Fidelity** would have been retained for at least the short term.[4] The unions, which had a long and close association with Hartford, strongly objected. Then-CAO Bruce Romer advised the Board that this was a decision for the County, not the Board, and a record-keeper was not hired. When the Board was finally allowed to hire a record-keeper in 2004, fees were in fact reduced and have continued to fall. **Plan participants should have had this benefit 4 years sooner.**

• The Board's rigorous competitive process to select a record-keeper in 2004 resulted in the selection of **CitiStreet,** the nation's second largest defined contribution administrator. The interdepartmental staff committee that intensively reviewed the 9 submitted proposals unanimously concluded that CitiStreet would provide the strongest fund line-up, the lowest fees, and the best administrative capabilities.

In June 2004 the Board confirmed the selection of CitiStreet. The CAO's representative concurred in this selection. The one union trustee then on the Board, Mr. Renne, cast the only negative vote; his predecessor, Mr. Sparks, had strongly urged the selection of Hartford from the start. The union leaders then pressed then-Executive Douglas Duncan to support establishment of a **separate Union Deferred Compensation Plan,** with Hartford non-competitively pre-selected as the record-keeper. Mr. Duncan agreed to do so in out-of-cycle bargaining. (This also was when the union leaders insisted on a seat on the Board for each union, and Mr. Duncan agreed.)

When the Council considered the implementing legislation in December 2004, I cautioned that splitting the quarter billion dollars in Deferred Compensation Plan assets would sacrifice **economies of scale** and create a **lose-lose situation**: **higher fees, and lower account balances, for participants in both plans.** After the split, the Board worked aggressively with CitiStreet to lower fees in the County Plan, to the benefit of its 4,200 participants, but the fees would be even lower if plan assets had not been split.

Participants in the Union Plan (about 2,600) have been less fortunate. They are paying higher fees for many of the same fund options that the County Plan provides. See ©7 for a fee comparison as of the end of 2007. The list shows that for 9 fund options that the Union Plan and the County Plan have in common and for 7 similar fund options, **the Union Plan charges higher fees for all 16**. *There are no fund options in the County Plan that charge higher fees than the same or similar fund options in the Union Plan.*[5]

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[4] The County's original contract with Hartford started in 1980. Employees' concerns about Hartford's high fees led the Board to contract with Fidelity as a second provider in 1995. Since high fees erode participants' investment returns and account balances, fiduciaries have a duty to keep fees as low as possible. Mutual fund firms like Vanguard are able to advertise the huge advantage investors receive from their low fees. See ©6.

[5] Information on the Union Plan fees charged by Hartford comes from a booklet transmitted by a Union Plan participant who was concerned about the level of fees he was paying.

The effect of these higher fees on the account balances of Union Plan participants is corrosive. Consider the impact of the fee differences for two familiar options, Growth Fund of America and BGI LifePath 2030, on 4 hypothetical participants in each plan. Assume that their current account balances *(and annual contributions)* are $0 *($5,000)*, $10,000 *($5,000)*, $25,000 *($7,500)*, or $50,000 *($10,000)*, and that the two fund options grow at their 10-year historical investment return rates.

The tables on ©8-15 show that if the current fee differences persist – *and* in my view the differences will grow *even larger* as the Board continues proactively to reduce fees in the County Plan – **over time the account balances of Union Plan participants in these examples will be smaller than those of comparable County Plan participants by thousands of dollars. Union Plan participants have not been informed of the impact of Hartford's higher fees, compared to CitiStreet's fees, on their account balances.**[6]

• In August 2005 IAFF Local 1664 president Sparks wrote to the Board's 18 investment managers – who each managed on average about $130 million in ERS assets – to **solicit contributions** of up to $5,000 for an event the union was sponsoring. (The investment managers are all located hundreds or thousands of miles from the County.) See a sample letter on ©17. If Mr. Sparks had still been a Board member at the time, or an active rather than a retired employee, **that letter would have violated §19A-16 of the County Ethics Law (soliciting or accepting gifts).**

Most trustees felt that the Board should amend its bylaws to expressly prohibit any such solicitations. While not questioning the integrity of those who want to solicit in this way, trustees opposed it for two reasons: respect for the letter and spirit of the Ethics Law, and concern that our investment managers could misinterpret such solicitations because of the **"pay-to-play"** culture that still infects the public pension world.

Mr. Sparks and the Board's union trustees strongly disagreed with this view. In December 2005, as a compromise, the Board tried to adopt a weaker requirement: that its investment managers simply **report** annually on any solicitations received from, or contributions made to, Board members or associated organizations. The union trustees demanded that the motion be defeated or tabled, and it was tabled. For the next 2 years,

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[6] The Council approved Bill 35-04 on December 7, 2004 by a vote of 7-1-1 (Mr. Andrews opposed, Mrs. Praisner abstaining). Among the amendments to the Executive's bill they recommended, as the MFP Committee majority, was one to direct the CAO to report annually to the Council on the comparative fund options and fees of the County Plan and the Union Plan. On the motion of the 3rd Committee member, Mr. Denis, the Council rejected this amendment, as well as other amendments recommended by the Committee majority to require the Union Plan to report annually on compliance with the County's fiduciary standards and on rebates from Plan providers; use competitive bidding to select providers; and give employees an annual opportunity to transfer into or out of the Plan. The minutes state that Mr. Bader "agreed that an annual report would be provided to the Council and the CAO on its compliance with the County's fiduciary standards, and a copy of the independent auditor's report would be provided to the Council." The Council has never received any of these reports.
The Union Plan could not exist without the County's initial and continued approval; under IRS Revenue Ruling 2004-57, a governmental employer must agree to "establish and maintain" a union plan. Bill 35-04 as enacted waived virtually all County oversight. See ©16. Apart from transmitting employees' contributions to Hartford every 2 weeks, the County has no connection with the Union Plan and the $100 million (or whatever the correct number is) in assets it controls. The union leaders' view is that this is none of the County's business.

led by Mr. Sparks, they blocked its reconsideration. In January 2008 the Board was finally able to adopt the weaker requirement. Two of the 3 union trustees were absent; the third cast the only negative vote.

- **Hartford is not the only example of a "preferred provider."** One union trustee has urged favorable consideration of other specific vendors as well. This approach conflicts with the Board's procurement policy, which requires strict adherence to rigorous competitive procedures.

Union leaders, like other leaders, are expected to act in what they see as the best interest of their organizations. But when they serve as Board trustees, their duty of loyalty as fiduciaries of the County's retirement plans, by law, is to act *"only in the best interest of the participants and their beneficiaries."* **These and other examples show that adding more union trustees to the Board would not serve the best interest of participants and beneficiaries.**

Ours is not just any investment board; it is the investment board of Montgomery County. We hold ourselves out as an exemplar and citadel of good government. It is also worth remembering, as many jurisdictions (including the State of Maryland) have learned from bitter experience, that politics and pension funds are a toxic mix.

Ex-Officio Status on the Board

The proposed bill would also add the MCGEO president to the 4 current permanent ex-officio trustees from County management (the Directors of OMB, Finance, Human Resources, and the Council Staff). **There are 3 concerns with this provision:**

- Ex-officio status should be limited to the current list of County managers. As noted above, **the County alone is responsible by law for the payment of retirement benefits – the unions have no responsibility – and 87 percent of the annual funding for the ERS comes from taxpayers.**

- If the MCGEO president were to have ex-officio status, the other union presidents would certainly be able to insist on similar status, either now or in the future. The Retired Employees' Association president, who represents far more members of the ERS than the MCGEO president, could make a similar claim.

- The provision locks future MCGEO presidents into Board membership whether they want that role or not. At least 1 other current union president has chosen not to serve.[7]

[7] The current MCGEO president, Mr. Renne, was elected in September 2007 as the Board's Vice Chair. There are heavy demands on his time, and although Board meetings are scheduled far in advance, he has had to miss many of them, including 3 of the 4 meetings in 2007 (and the first meeting in 2008, on personal business). This problem could grow because starting this year, the Board shifted from 4 meetings per year to 6. The membership provision in County Code §33-59 states: *"A trustee who is absent from more than 25 percent of the scheduled meetings of the Board during any 12-month period has resigned from the Board."* Thus, Mr. Renne is no longer a trustee, at least according to the law.

Should the Composition of the Board be Bargainable?

Finally, in my view and the view of our legal staff, this entire issue is not properly before the Council because **the composition of the Board should not have been bargained in the first place.** In bargaining last fall, MCGEO proposed that the Executive agree to submit legislation to modify the Board's composition, and also to establish a "pension fund protection and asset recovery program."[8] The Executive argued that these proposals involved non-negotiable traditional management functions and were outside the mandatory scope of bargaining as defined in the phrase *"pension and other retirement benefits for active employees only"* in County Code §33-107(a)(2).

In a decision dated November 6, 2007 the Labor Relations Administrator held that the Executive was required to negotiate with MCGEO over these proposals. Given past LRA decisions, this one was not surprising, but it did not have to be the final word. The Executive could have appealed it. If an appeal failed, the Executive and/or the Council could support legislation clarifying that as a matter of public policy, bargaining over *"pension and other retirement benefits"* means the **size and scope** of those benefits but does not include the composition of investment boards, or for that matter the selection of individual vendors. **It is time for the Council to reconfirm legislatively that the investment of County retirement funds will be managed in a professional, transparent, and non-political manner.**

Economic and Non-Economic Contract Provisions

The **economic** provisions of the MCGEO reopener, the FOP reopener, and the new IAFF contract include costly improvements in salaries and pensions.[9] The Council has generally supported the **economic** provisions of contracts (and did so again this year) but has sometimes rejected **non-economic** provisions. For example, the Council once rejected an FOP provision to establish a separate deferred compensation plan because the federal tax code did not yet authorize it. The Council also rejected a MCGEO provision to require union approval for group insurance "premium holidays." Last year the Council required a change in the MCGEO contract language that would have sharply limited the role of library volunteers.

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[8] The purpose of this proposal is to retain, on a contingent fee basis, a law firm that would seek to recover for the ERS any funds due from settlement of class action law suits on securities issues, and also to have the ERS serve as a lead plaintiff in such litigation. The Board has not considered this approach either necessary or advisable, and instead uses its custodial bank to recover all appropriate funds from such litigation.

[9] In the MCGEO reopener, the County contribution to employees' Retirement Savings Plan accounts goes from 6 percent of salary to 8 percent (an increase of one-third). In addition, employees are given the option, effective July 2009, to move from the RSP to a new cash balance plan, the Guaranteed Retirement Income Plan (GRIP). This plan has a guaranteed annual return of 7.25 percent (assuming IRS approval). This guarantee could be an excellent option for some employees, but for the County it is a huge potential new liability, especially if investment returns fall below 7.25 percent. The reopener also raises the pension multiplier for deputy sheriffs and corrections officers, at the time of social security integration, from 1.25 percent to 1.65 percent (an increase of 32 percent). The COLA for FY09 (year 2 of last year's new contract) is 4.5 percent. This means that for the two-thirds of MCGEO members who also receive annual service increments (steps), the total increase in FY09 – a tight budget year – is 10 percent (4.5 percent COLA + 3.5 percent service increment + 2.0 percent RSP increase).

The Council will now consider the non-economic provision in the MCGEO reopener regarding the composition of the Board of Investment Trustees. It is worth noting that for private sector retirement plans that fall under the Employee Retirement Income Security Act (ERISA), the Department of Labor advises that **the act of appointing fiduciaries to a plan – as the Council does for the Board – is itself a fiduciary act.**

For the reasons outlined above, I believe that the proposed changes to the Board's composition would not strengthen the Board's performance in any way, but instead would weaken it, and that the Council should not support them.

c: Board of Investment Trustees
Tim Firestine, Chief Administrative Officer
Suzanne Hudson, President, Retired Employees' Association
John Sparks, President, IAFF Local 1664
Mark Zifcak, President, FOP Lodge 35

33-59. Board of investment trustees.

* * *

(b) Membership.

(1) The Board has [13] 16 trustees.

(2) The County Executive must appoint [4] 5 voting, *ex officio* members of the Board, subject to County Council confirmation as members, who serve indefinitely while each holds the respective office. These *ex officio* trustees should be:

(A) the Director of Management and Budget;

(B) the Director of Finance;

(C) the Director of Human Resources; [and]

(D) the Staff Director of the County Council[.]; and

(E) the President of the Office, Professional, and Technical (OPT) and Service, Labor and Trades (SLT) bargaining units.

(3) The following [9] 11 trustees must be appointed by the Executive and confirmed by the Council:

(A) [Three] Four individuals recommended by the employee organizations certified under Articles V, VII or X. Two of the individuals must be active County employees, each of whom is a member of a different collective bargaining unit, and who are vested members of the retirement system, or individuals recommended by each employee organization certified under Articles V[, VII, or] and X. The other two individuals must be active County employees, each of whom is a member of a different bargaining unit, and who are vested members of the retirement system, or individuals recommended by the employee organization certified under Article VII. Each employee organization may recommend 3 to 5 individuals for the respective trustee position(s). Before appointing these trustees, the Executive must consider, and should select from, the individuals

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recommended by the employee organizations. [The Executive must not appoint more than one person from each employee organization.] The Executive must notify the Council when appointing an individual not recommended by an employee organization. A 3-year term for these trustees ends on March 1 of every third year after each trustee is confirmed by the Council.

* * *

(E) [Two] Three individuals knowledgeable in pensions, investments, or financial matters. Before nominating these trustees, the Executive must consider, and should select from, individuals recommended by citizens or countywide citizens' groups. An individual recommended by a citizens' group need not be a member of the group. The Executive must notify the Council when nominating an individual not recommended by a citizens' group. A 3-year term for these trustees ends on March 1 of every third year after each trustee's appointment is confirmed by the Council.

* * *

(h) Meetings and actions.

(1) The Board must meet at least once during each calendar quarter. The chair, or [7] 9 members of the Board, may call a meeting of the Board, in the manner and at times and places provided under the policies of the Board. The Board is a public body under the State Open Meetings Act.

(2) A. [Seven] Nine trustees constitute a quorum.

B. Each trustee has one vote.

C. [Seven] Nine trustees must agree for the Board to act.

* * *

Sec. 5. Section 33-116 is amended as follows:

33-116. Participant contributions.

(a) Percent of participant contributions.

(1) (A) Group I. Each participant in Group I [or Group II] must contribute,

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RECEIVED
MONTGOMERY COUNTY
COUNCIL

2008 APR 16 PM 2:51

MCREA

Montgomery County Retired Employees' Association, Inc.

April 16, 2008

Hon. Michael J. Knapp, President
Montgomery County Council
Council Office Building
100 Maryland Avenue
Rockville, Maryland 20850

Dear Mr. Knapp: Re: Bill 6-08 Board of Investment Trustees

I am writing to express my opposition to the proposed legislation to amend the membership of the Board of Investment Trustees (BIT). Why is there a need to have the union so strongly present on BIT? Why should the union have 5 of 16 seats on BIT?

I understand that this was agreed to in the bargaining process between the County Executive and MCGEO (Municipal & County Government Employees Organization). This proposal would change the BIT by adding three more members: the MCGEO President as a voting, ex officio member of the Board; another union member; and another citizen member.

This proposal is an effort to change the equitable balance on BIT. This appears to be an effort to "stack" the BIT with 5 union members, equal to the number of public representatives and more than the number of senior management officials. In 2004, the union membership was increased from one to three members. Now, it is to increase from three to five members. Plus, the proposal to have the union president on equal par with the Council Staff Director, and the Directors' of Finance, Human Resources, and Management and Budget, is absurd. Adding one citizen member does not maintain an equitable balance of membership.

Why is there a need to dilute the voice of 5,500 retirees, hundreds of non-union employees, and the county taxpayers? The BIT represents non-union employees and retirees. Retirees and beneficiaries are the largest group. The union does not speak for us. Also, the BIT represents the taxpayer who contributes the majority of retirement funds. Ultimately, the county is responsible for our retirement payments.

The union removed their deferred compensation funds from non-union funds in 2004. With this proposal, it seems that the union wants to control the remaining investments. It may be wise to step back and study the governance structure of the BIT for managing and prudently investing the assets of three distinct retirement plans before making a final decision.

Cordially,

Suzanne Hudson

Suzanne Hudson
President

P.O. Box 73 • Rockville, MD • 20848-0073 phone 301.929.9339 • toll free 1.866.929.9339 • www.mcreaonline.com

BILL 6-08

Delgado, Annette

From:	Meg Menke [meg@menkescientific.com]
Sent:	Friday, May 30, 2008 1:38 PM
To:	Montgomery County Council
Subject:	Statement on Bill#6-08

Dear President Knapp and Members of the Council,

This is a letter about Bill # 6-08, specifically the sections defining membership on the Board of Investment Trustees. Following some background, I will explain why I am opposed to the bill's provision to expand the size of the BIT and change its composition.

Background

I am a retired Montgomery County employee and a taxpayer. I am also a past and present member of the Montgomery County Board of Investment Trustees, but I am not speaking for the Board in this letter. Rather, I am writing as a taxpayer who is a retired employee and who has a unique perspective on this issue now before the Council.

I was appointed to the very first Board of Investment Trustees in 1987. I served a three-year term as "the member not represented by an employee organization", one of nine members. It was a fascinating assignment because the Board's "opening responsibilities" were to move all Employees' Retirement System money from a very traditional retirement fund managed by Aetna to a mix of investment managers selected by this new Board of Investment Trustees. Our task was to adopt investment policies and select managers who could maximize market gains through a broader mix of prudent financial instruments. It was quite clear to us in 1987 that the County had adopted this new strategy to protect the huge stake that taxpayers had in assuring that there would be sufficient money available to honor the County's future commitment to its retirees: the more we achieved in prudent investment growth, the less the burden on the taxpayers.

In 1991, I left County employment and a few years later became a retiree. Now, at the end of each calendar year, I receive a 1099-R. It shows how many dollars I contributed as an employee to that year's retirement income. My share is tiny. The other share, the share from taxpayers and investment growth, is huge. I very grateful and am more convinced than ever that it is correct for the taxpayers' interest to be put first in framing BIT legislation.

In 2006, I was again appointed to serve on the BIT, this time as "the retired employee member." Compared to 1987, the Board is larger (now thirteen members) and the mix of investments is significantly more diverse. But the mandate to achieve the best returns possible while controlling risk has not changed.

Taxpayers are still the biggest stakeholders in retirement funding. The employees' contribution is fixed, the investment income is not guaranteed. The backstop is always the taxpayers who must pay the bill if we do not eventually succeed in fully funding the liability for payments to retirees. As you consider changing the way the retirement funds are managed here in Montgomery County, I believe that you must keep the taxpayers' interest foremost in your minds.

My Comments on Provisions of Bill 6-08

There are two provisions of this bill that I ask you to reject -- expanding the size of the BIT and assigning ex officio status to the President of the bargaining unit mentioned in the legislation.

First: Regarding the size of the Board, I will tell you that in my experience, a board of nine members is far preferable to the current size of thirteen. When a prior Council expanded the BIT, the result was more difficulty in conducting meaningful and effective meetings.

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without thorough discussion, it is difficult to honor our fiduciary responsibility in deciding investment policy and selecting from the range of investments available to us. In the last twenty years, investing has not gotten simpler; it has become far more complex. Increasing the BIT size now to sixteen will make it even harder to honor our fiduciary responsibility. Setting aside which individuals might be added, just the mere decision to increase the Board's size is the wrong way to go.

I cannot see any way that the taxpayers' interests are served by having a BIT that is too large to conduct its business in a thorough and effective way.

Second: Regarding the provision to give ex officio status the President of a bargaining unit, I cannot understand how this is in the taxpayers' interest. The BIT now has four ex officio members. Each is an appointee of the County Executive or the County Council. These four individuals are accountable to elected officials, who are in turn accountable to the voters/taxpayers.

However, the President of a bargaining unit is not accountable to the voters or taxpayers in any way (he or she is selected by the Union). Granting ex officio status to this person removes the essential link to taxpayers and thus diminishes the taxpayers' stake. This provision should be rejected.

It remains appropriate for employees (whether in bargaining units or not) to have a voice on the BIT, but that voice must never overwhelm the interest of Montgomery County taxpayers who are ultimately responsible for honoring the liability to retirees. In my view, the current composition of the BIT comes close to disrupting this balance. The proposals in Bill 6-08 clearly move too far in the wrong direction.

Thank you for the opportunity to present my views.

Mary Ellen (Meg) Menke
22500 Old Hundred Rd
Barnesville, MD 20838-9725
301-407-2224

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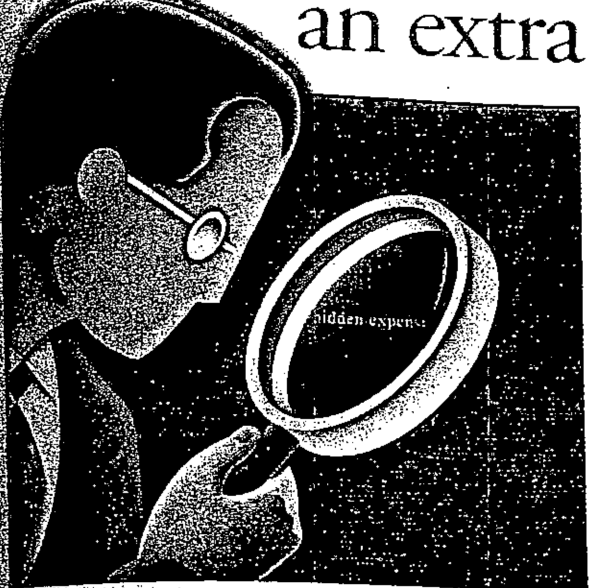
This is about the investor who uncovered an extra $19,751 by simply doing a little digging.



While investing can never promise a sure thing, it does offer a few absolutes. One being that, if you have two funds and both perform identically, the fund with the lower expense ratio will ultimately return more than the other.

Which is why it pays to scrutinize a fund's fees and expenses up front.

For example, take a fund with an expense ratio of 1.3 percent versus one with an expense ratio of just 0.3 percent. Applied to an initial $25,000 investment returning 8 percent and compounded over 20 years, the difference adds up to a hard-to-overlook $19,751 that could be in your account.

If you'd like to give away less and keep more, call us at 1-800-962-5124, or visit us at Vanguard.com®

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Deferred Compensation Plan Fees
Hartford (Union Plan) v. CitiStreet (County Plan)
December 31, 2007

This table lists 16 funds in the County Plan for which the Union Plan charges higher fees.

		Funds	Ending Balance December 31, 2007	12/31/2007 % of Plan Assets	Hartford Fees (%)	CitiStreet Fees (%)	Difference (%)
1		BGI Lifepath Retirement	428,112	0.2%	0.85	0.60	-0.25
2		BGI LifePath 2010	7,367,480	2.9%	0.85	0.60	-0.25
3		BGI LifePath 2020	17,278.999	6.8%	0.85	0.60	-0.25
4		BGI LifePath 2030	2,798,028	1.1%	0.85	0.60	-0.25
5		BGI LifePath 2040	801,056	0.3%	0.85	0.60	-0.25
6		PIMCO High Yield	2,152,176	0.8%	0.90	0.75	-0.15
7		Amer Funds Growth Fund of America	29,730,729	11.7%	0.68	0.36	-0.32
8		SSgA daily EAFE	3,244,284	1.3%	0.30	0.25	-0.05
9	*	SsgA Passive Aggregate	1,351,399	0.5%	0.20	0.10	-0.10
10		SSgA S & P 500 Index	9,499,295	3.7%	0.20	0.15	-0.05
11	*	Fidelity Inflation Protected Bond	2,113,443	0.8%	0.49	0.45	-0.04
12	*	SSgA Tuckerman Reit	3,559,548	1.4%	1.13	1.00	-0.13
13	*	Fidelity Small Cap Stock	8,138,382	3.2%	1.36	0.96	-0.40
14	*	North Small Cap Value	787	0.0%	1.36	1.00	-0.36
15	*	Legg Mason Partners Sm. Cap.	3,130,418	1.2%	1.33	0.79	-0.54
16	*	Oppenheimer Global	5,017,836	2.0%	1.05	0.72	-0.33
		Total	**$96,611,971.48**	**37.9%**			

** Designates County Plan fund option similar to Union Plan fund option.*

These funds represent 37.9% of County Plan assets as of 12/31/07. There are no fund options in the County Plan that charge higher fees than the same or similar options in the Union Plan.

American Funds - Growth Fund of America

20 year projection of accounts, given zero initial balance and $5,000 annual contribution

Current plan value	$ -			
Payroll contribution	192.31	=> Annual contribution of $5,000		
Annual return expectation	12.05%		Total	$ 354,402
Fee	0.68%			
Annual return expectation	11.37%	Per payroll	0.42%	

Projected difference				$ 13,888
Annual return expectation	12.05%		Total	$ 368,290
Fee	0.36%			
Annual return expectation	11.69%	Per payroll	0.43%	

HARTFORD

Year	Start	Annual cont	Growth (0.42%)	End
1	-	5,000	290	5,290
2	5,290	5,000	892	11,182
3	11,182	5,000	1,561	17,743
4	17,743	5,000	2,307	25,051
5	25,051	5,000	3,138	33,189
6	33,189	5,000	4,064	42,253
7	42,253	5,000	5,094	52,347
8	52,347	5,000	6,242	63,589
9	63,589	5,000	7,520	76,109
10	76,109	5,000	8,944	90,053
11	90,053	5,000	10,529	105,582
12	105,582	5,000	12,295	122,876
13	122,876	5,000	14,261	142,137
14	142,137	5,000	16,451	163,589
15	163,589	5,000	18,890	187,479
16	187,479	5,000	21,606	214,085
17	214,085	5,000	24,632	243,717
18	243,717	5,000	28,001	276,717
19	276,717	5,000	31,753	313,470
20	313,470	5,000	35,932	$ 354,402

CITISTREET

Year	Start	Annual cont	Growth (0.43%)	End	Difference
1	-	5,000	298	5,298	8
2	5,298	5,000	917	11,216	34
3	11,216	5,000	1,609	17,825	82
4	17,825	5,000	2,382	25,207	156
5	25,207	5,000	3,245	33,451	262
6	33,451	5,000	4,209	42,660	407
7	42,660	5,000	5,285	52,945	598
8	52,945	5,000	6,487	64,432	844
9	64,432	5,000	7,830	77,263	1,154
10	77,263	5,000	9,330	91,593	1,540
11	91,593	5,000	11,005	107,598	2,017
12	107,598	5,000	12,876	125,474	2,598
13	125,474	5,000	14,966	145,441	3,303
14	145,441	5,000	17,300	167,741	4,152
15	167,741	5,000	19,907	192,648	5,169
16	192,648	5,000	22,819	220,466	6,381
17	220,466	5,000	26,071	251,537	7,820
18	251,537	5,000	29,703	286,240	9,522
19	286,240	5,000	33,760	324,999	11,529
20	324,999	5,000	38,291	$ 368,290	13,888

Projected difference $ 13,888

Assumptions: The tables shown above reflect the Growth Fund of America offering in both plans. The Hartford and CitiStreet options shown above reflect:

1) *historical 10-year annualized return, per Morningstar, as of 12/31/07 less the fee charged by each plan.*
2) *zero beginning balance in each plan*
3) *bi-weekly contributions of $192.31 totaling $5,000 annually*
4) *growth column represents return per year calculated on the bi-weekly balance in an account net of fees*

American Funds - Growth Fund of America

20 year projection of accounts, given $10,000 initial balance and $5,000 annual contribution

Current plan value	$ 10,000			
Payroll contribution	192.31	=> Annual contribution of $5,000		
Annual return expectation	12.05%	Total	$ 440,573	
Fee	0.68%			
Annual return expectation	11.37%	Per payroll	0.42%	

Projected difference			$ 18,977	
Annual return expectation	12.05%	Total	$ 459,551	
Fee	0.36%			
Annual return expectation	11.69%	Per payroll	0.43%	

HARTFORD

Year	Start	Annual cont	Growth (0.42%)	End
1	10,000	5,000	1,427	16,427
2	16,427	5,000	2,158	23,585
3	23,585	5,000	2,972	31,557
4	31,557	5,000	3,878	40,435
5	40,435	5,000	4,888	50,322
6	50,322	5,000	6,012	61,334
7	61,334	5,000	7,264	73,598
8	73,598	5,000	8,658	87,256
9	87,256	5,000	10,211	102,467
10	102,467	5,000	11,941	119,408
11	119,408	5,000	13,867	138,274
12	138,274	5,000	16,012	159,286
13	159,286	5,000	18,401	182,687
14	182,687	5,000	21,062	208,749
15	208,749	5,000	24,025	237,773
16	237,773	5,000	27,325	270,098
17	270,098	5,000	31,000	306,099
18	306,099	5,000	35,094	346,192
19	346,192	5,000	39,652	390,844
20	390,844	5,000	44,729	$ 440,573

CITISTREET

Year	Start	Annual cont	Growth (0.43%)	End	Difference
1	10,000	5,000	1,467	16,467	40
2	16,467	5,000	2,223	23,690	105
3	23,690	5,000	3,068	31,758	201
4	31,758	5,000	4,011	40,768	334
5	40,768	5,000	5,064	50,832	510
6	50,832	5,000	6,240	62,073	739
7	62,073	5,000	7,554	74,627	1,029
8	74,627	5,000	9,022	88,649	1,393
9	88,649	5,000	10,661	104,310	1,843
10	104,310	5,000	12,492	121,802	2,395
11	121,802	5,000	14,537	141,339	3,065
12	141,339	5,000	16,821	163,160	3,874
13	163,160	5,000	19,371	187,531	4,844
14	187,531	5,000	22,221	214,752	6,003
15	214,752	5,000	25,403	245,154	7,381
16	245,154	5,000	28,957	279,111	9,013
17	279,111	5,000	32,926	317,037	10,938
18	317,037	5,000	37,360	359,397	13,205
19	359,397	5,000	42,312	406,709	15,864
20	406,709	5,000	47,842	$ 459,551	18,977

Projected difference $ 18,977

Assumptions: The tables shown above reflect the Growth Fund of America offering in both plans. The Hartford and CitiStreet options shown above reflect:
1) historical 10-year annualized return, per Morningstar, as of 12/31/07 less the fee charged by each plan.
2) $10,000 beginning balance in each plan
3) bi-weekly contributions of $192.31 totaling $5,000 annually
4) growth column represents return per year calculated on the bi-weekly balance in an account net of fees

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American Funds - Growth Fund of America

20 year projection of accounts, given $25,000 initial balance and $7,500 annual contribution

Current plan value	$ 25,000			
Payroll contribution	288.46	=> Annual contribution of $7,500		
Annual return expectation	12.05%	Total	$ 747,032	
Fee	0.68%			
Annual return expectation	11.37%	Per payroll	0.42%	

Projected difference	$ 33,556

Annual return expectation	12.05%	Total	$ 780,587	
Fee	0.36%			
Annual return expectation	11.69%	Per payroll	0.43%	

HARTFORD

Year	Start	Annual cont	Growth (0.42%)	End
1	25,000	7,500	3,278	35,778
2	35,778	7,500	4,503	47,781
3	47,781	7,500	5,868	61,148
4	61,148	7,500	7,388	76,036
5	76,036	7,500	9,080	92,617
6	92,617	7,500	10,966	111,082
7	111,082	7,500	13,065	131,647
8	131,647	7,500	15,403	154,551
9	154,551	7,500	18,008	180,059
10	180,059	7,500	20,908	208,466
11	208,466	7,500	24,138	240,104
12	240,104	7,500	27,735	275,339
13	275,339	7,500	31,741	314,580
14	314,580	7,500	36,203	358,283
15	358,283	7,500	41,172	406,955
16	406,955	7,500	46,706	461,161
17	461,161	7,500	52,869	521,530
18	521,530	7,500	59,733	588,763
19	588,763	7,500	67,378	663,641
20	663,641	7,500	75,891	$ 747,032

CITISTREET

Year	Start	Annual cont	Growth (0.43%)	End	Difference
1	25,000	7,500	3,370	35,870	92
2	35,870	7,500	4,640	48,010	229
3	48,010	7,500	6,060	61,570	421
4	61,570	7,500	7,645	76,714	678
5	76,714	7,500	9,415	93,629	1,013
6	93,629	7,500	11,392	112,522	1,439
7	112,522	7,500	13,601	133,623	1,975
8	133,623	7,500	16,068	157,190	2,639
9	157,190	7,500	18,823	183,513	3,455
10	183,513	7,500	21,900	212,913	4,447
11	212,913	7,500	25,337	245,750	5,646
12	245,750	7,500	29,175	282,425	7,086
13	282,425	7,500	33,463	323,387	8,807
14	323,387	7,500	38,251	369,139	10,856
15	369,139	7,500	43,599	420,238	13,283
16	420,238	7,500	49,573	477,311	16,150
17	477,311	7,500	56,245	541,056	19,526
18	541,056	7,500	63,697	612,253	23,489
19	612,253	7,500	72,020	691,772	28,131
20	691,772	7,500	81,315	$ 780,587	33,556

Projected difference	$ 33,556

Assumptions: The tables shown above reflect the Growth Fund of America offering in both plans. The Hartford and CitiStreet options shown above reflect:

1) historical 10-year annualized return, per Morningstar, as of 12/31/07 less the fee charged by each plan.
2) $25,000 beginning balance in each plan
3) bi-weekly contributions of $288.46 totaling $7,500 annually
4) growth column represents return per year calculated on the bi-weekly balance in an account net of fees

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American Funds - Growth Fund of America

20 year projection of accounts, given $50,000 initial balance and $10,000 annual contribution

Current plan value	$ 50,000			
Payroll contribution	384.62	=> Annual contribution of $10,000		
Annual return expectation	12.05%	Total	$1,139,662	
Fee	0.68%			
Annual return expectation	11.37%	Per payroll	0.42%	

HARTFORD

Year	Start	Annual cont	Growth (0.42%)	End
1	50,000	10,000	6,265	66,265
2	66,265	10,000	8,115	84,380
3	84,380	10,000	10,174	104,554
4	104,554	10,000	12,468	127,022
5	127,022	10,000	15,023	152,044
6	152,044	10,000	17,868	179,912
7	179,912	10,000	21,036	210,948
8	210,948	10,000	24,565	245,513
9	245,513	10,000	28,495	284,008
10	284,008	10,000	32,872	326,880
11	326,880	10,000	37,746	374,627
12	374,627	10,000	43,175	427,802
13	427,802	10,000	49,221	487,023
14	487,023	10,000	55,955	552,978
15	552,978	10,000	63,454	626,431
16	626,431	10,000	71,805	708,237
17	708,237	10,000	81,107	799,344
18	799,344	10,000	91,466	900,809
19	900,809	10,000	103,002	1,013,811
20	1,013,811	10,000	115,851	$1,139,662

Projected difference				$ 53,223
Annual return expectation	12.05%	Total	$1,192,885	
Fee	0.36%			
Annual return expectation	11.69%	Per payroll	0.43%	

CITISTREET

Year	Start	Annual cont	Growth (0.43%)	End	Difference
1	50,000	10,000	6,441	66,441	176
2	66,441	10,000	8,363	84,804	425
3	84,804	10,000	10,510	105,314	760
4	105,314	10,000	12,907	128,222	1,200
5	128,222	10,000	15,585	153,807	1,763
6	153,807	10,000	18,576	182,383	2,471
7	182,383	10,000	21,917	214,300	3,352
8	214,300	10,000	25,648	249,948	4,435
9	249,948	10,000	29,815	289,763	5,755
10	289,763	10,000	34,470	334,233	7,353
11	334,233	10,000	39,668	383,901	9,274
12	383,901	10,000	45,474	439,375	11,573
13	439,375	10,000	51,959	501,334	14,311
14	501,334	10,000	59,202	570,537	17,559
15	570,537	10,000	67,292	647,829	21,397
16	647,829	10,000	76,327	734,156	25,919
17	734,156	10,000	86,419	830,575	31,232
18	830,575	10,000	97,690	938,266	37,456
19	938,266	10,000	110,279	1,058,545	44,734
20	1,058,545	10,000	124,340	$1,192,885	53,223

Projected difference $ 53,223

Assumptions: The tables shown above reflect the Growth Fund of America offering in both plans. The Hartford and CitiStreet options shown above reflect:

1) historical 10-year annualized return, per Morningstar, as of 12/31/07 less the fee charged by each plan.
2) $50,000 beginning balance in each plan
3) bi-weekly contributions of $384.62 totaling $10,000 annually
4) growth column represents return per year calculated on the bi-weekly balance in an account net of fees

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BGI Lifepath 2030 Fund

20 year projection of accounts, given zero initial balance and $5,000 annual contribution

Current plan value	$ -			
Payroll contribution	192.31	=> Annual contribution of $5,000		
Annual return expectation	6.86%	**Total**	**$ 189,818**	
Fee	0.85%			
Annual return expectation	6.01%	Per payroll	0.22%	

Projected difference				**$ 5,423**
Annual return expectation	6.86%	**Total**	**$ 195,241**	
Fee	0.60%			
Annual return expectation	6.26%	Per payroll	0.23%	

HARTFORD

Year	Start	Annual cont	Growth (**0.22%**)	End
1	-	5,000	155	5,155
2	5,155	5,000	464	10,619
3	10,619	5,000	793	16,412
4	16,412	5,000	1,141	22,553
5	22,553	5,000	1,510	29,063
6	29,063	5,000	1,901	35,964
7	35,964	5,000	2,316	43,280
8	43,280	5,000	2,756	51,036
9	51,036	5,000	3,222	59,257
10	59,257	5,000	3,716	67,973
11	67,973	5,000	4,240	77,213
12	77,213	5,000	4,795	87,008
13	87,008	5,000	5,384	97,392
14	97,392	5,000	6,008	108,400
15	108,400	5,000	6,669	120,069
16	120,069	5,000	7,371	132,440
17	132,440	5,000	8,114	145,554
18	145,554	5,000	8,902	159,456
19	159,456	5,000	9,738	174,194
20	174,194	5,000	10,624	**$ 189,818**

CITISTREET

Year	Start	Annual cont	Growth (**0.23%**)	End	Difference
1	-	5,000	161	5,161	6
2	5,161	5,000	484	10,645	26
3	10,645	5,000	827	16,472	61
4	16,472	5,000	1,192	22,664	112
5	22,664	5,000	1,580	29,244	182
6	29,244	5,000	1,992	36,236	272
7	36,236	5,000	2,429	43,665	385
8	43,665	5,000	2,894	51,559	524
9	51,559	5,000	3,389	59,948	691
10	59,948	5,000	3,914	68,862	888
11	68,862	5,000	4,472	78,333	1,120
12	78,333	5,000	5,065	88,398	1,390
13	88,398	5,000	5,695	99,093	1,701
14	99,093	5,000	6,364	110,457	2,057
15	110,457	5,000	7,076	122,532	2,463
16	122,532	5,000	7,831	135,364	2,924
17	135,364	5,000	8,635	148,998	3,444
18	148,998	5,000	9,488	163,487	4,030
19	163,487	5,000	10,395	178,882	4,688
20	178,882	5,000	11,359	**$ 195,241**	5,423

Projected difference **$ 5,423**

Assumptions: The tables shown above reflect the BGI LifePath 2030 offering in both plans. The Hartford and CitiStreet options shown above reflect:

1) historical 10-year annualized return, per Morningstar, as of 12/31/07 less the fee charged by each plan.
2) zero beginning balance in each plan
3) bi-weekly contributions of $192.31 totaling $5,000 annually
4) growth column represents return per year calculated on the bi-weekly balance in an account net of fees

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BGI Lifepath 2030 Fund

20 year projection of accounts, given $10,000 initial balance and $5,000 annual contribution

Current plan value	$ 10,000			
Payroll contribution	192.31	=> Annual contribution of $5,000		
Annual return *expectation*	6.86%	Total	$ 221,950	
Fee	0.85%			
Annual return expectation	6.01%	Per payroll	0.22%	

Projected difference				$ 6,973
Annual return expectation	6.86%	Total	$ 228,923	
Fee	0.60%			
Annual return expectation	6.26%	*Per payroll*	0.23%	

HARTFORD

Year	Start	Annual cont	Growth (0.22%)	End
1	10,000	5,000	756	15,756
2	15,756	5,000	1,101	21,857
3	21,857	5,000	1,468	28,325
4	28,325	5,000	1,857	35,182
5	35,182	5,000	2,269	42,451
6	42,451	5,000	2,706	50,157
7	50,157	5,000	3,169	58,326
8	58,326	5,000	3,660	66,986
9	66,986	5,000	4,180	76,166
10	76,166	5,000	4,732	85,899
11	85,899	5,000	5,317	96,216
12	96,216	5,000	5,937	107,153
13	107,153	5,000	6,594	118,747
14	118,747	5,000	7,291	131,039
15	131,039	5,000	8,030	144,069
16	144,069	5,000	8,813	157,882
17	157,882	5,000	9,643	172,525
18	172,525	5,000	10,523	188,048
19	188,048	5,000	11,456	204,504
20	204,504	5,000	12,445	$ 221,950

CITISTREET

Year	Start	Annual cont	Growth (0.23%)	End	Difference
1	10,000	5,000	787	15,787	31
2	15,787	5,000	1,149	21,936	79
3	21,936	5,000	1,534	28,470	145
4	28,470	5,000	1,943	35,413	231
5	35,413	5,000	2,378	42,791	340
6	42,791	5,000	2,840	50,631	474
7	50,631	5,000	3,330	58,961	635
8	58,961	5,000	3,852	67,813	827
9	67,813	5,000	4,406	77,219	1,053
10	77,219	5,000	4,995	87,214	1,316
11	87,214	5,000	5,621	97,835	1,619
12	97,835	5,000	6,285	109,120	1,967
13	109,120	5,000	6,992	121,112	2,365
14	121,112	5,000	7,743	133,855	2,816
15	133,855	5,000	8,540	147,395	3,326
16	147,395	5,000	9,388	161,783	3,901
17	161,783	5,000	10,289	177,071	4,546
18	177,071	5,000	11,246	193,317	5,269
19	193,317	5,000	12,263	210,579	6,075
20	210,579	5,000	13,343	$ 228,923	6,973

Projected difference $ 6,973

Assumptions: The tables shown above reflect the BGI LifePath 2030 offering in both plans. The Hartford and CitiStreet options shown above reflect:
1) historical 10-year annualized return, per Morningstar, as of 12/31/07 less the fee charged by each plan.
2) $10,000 beginning balance in each plan
3) bi-weekly contributions of $192.31 totaling $5,000 annually
4) growth column represents return per year calculated on the bi-weekly balance in an account net of fees

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BGI Lifepath 2030 Fund

20 year projection of accounts, given $25,000 initial balance and $7,500 annual contribution

Current plan value	$ 25,000			
Payroll contribution	288.46	=> Annual contribution of $7,500		
Annual return expectation	6.86%	Total	$ 365,057	
Fee	0.85%			
Annual return expectation	6.01%	Per payroll	0.22%	

Projected difference $ 12,009

Annual return expectation	6.86%	Total	$ 377,066	
Fee	0.60%			
Annual return expectation	6.26%	Per payroll	0.23%	

HARTFORD

Year	Start	Annual cont	Growth (0.22%)	End
1	25,000	7,500	1,734	34,234
2	34,234	7,500	2,289	44,024
3	44,024	7,500	2,878	54,401
4	54,401	7,500	3,501	65,403
5	65,403	7,500	4,163	77,065
6	77,065	7,500	4,863	89,429
7	89,429	7,500	5,607	102,535
8	102,535	7,500	6,394	116,430
9	116,430	7,500	7,229	131,159
10	131,159	7,500	8,114	146,773
11	146,773	7,500	9,053	163,326
12	163,326	7,500	10,048	180,874
13	180,874	7,500	11,102	199,476
14	199,476	7,500	12,220	219,197
15	219,197	7,500	13,406	240,102
16	240,102	7,500	14,662	262,264
17	262,264	7,500	15,994	285,758
18	285,758	7,500	17,406	310,664
19	310,664	7,500	18,903	337,067
20	337,067	7,500	20,490	$ 365,057

CITISTREET

Year	Start	Annual cont	Growth (0.23%)	End	Difference
1	25,000	7,500	1,806	34,306	72
2	34,306	7,500	2,389	44,195	172
3	44,195	7,500	3,008	54,703	302
4	54,703	7,500	3,666	65,869	467
5	65,869	7,500	4,365	77,734	669
6	77,734	7,500	5,108	90,342	913
7	90,342	7,500	5,897	103,738	1,203
8	103,738	7,500	6,735	117,974	1,544
9	117,974	7,500	7,627	133,100	1,942
10	133,100	7,500	8,573	149,174	2,401
11	149,174	7,500	9,580	166,254	2,927
12	166,254	7,500	10,649	184,403	3,529
13	184,403	7,500	11,785	203,688	4,211
14	203,688	7,500	12,992	224,180	4,983
15	224,180	7,500	14,275	245,955	5,853
16	245,955	7,500	15,638	269,093	6,829
17	269,093	7,500	17,087	293,680	7,921
18	293,680	7,500	18,626	319,805	9,141
19	319,805	7,500	20,261	347,567	10,500
20	347,567	7,500	21,999	$ 377,066	12,009

Projected difference $ 12,009

Assumptions: The tables shown above reflect the BGI LifePath 2030 offering in both plans. The Hartford and CitiStreet options shown above reflect:

1) historical 10-year annualized return, per Morningstar, as of 12/31/07 less the fee charged by each plan.
2) $25,000 beginning balance in each plan
3) bi-weekly contributions of $288.46 totaling $7,500 annually
4) growth column represents return per year calculated on the bi-weekly balance in an account net of fees

BGI Lifepath 2030 Fund

20 year projection of accounts, given $50,000 initial balance and $10,000 annual contribution

Current plan value	$ 50,000			
Payroll contribution	384.62	=> Annual contribution of $10,000		
Annual return expectation	6.86%	Total	$ 540,295	
Fee	0.85%			
Annual return expectation	6.01%	Per payroll	0.22%	

Projected difference				$ 18,595
Annual return expectation	6.86%	Total	$ 558,891	
Fee	0.60%			
Annual return expectation	6.26%	Per payroll	0.23%	

HARTFORD

Year	Start	Annual cont	Growth (0.22%)	End
1	50,000	10,000	3,314	63,314
2	63,314	10,000	4,114	77,428
3	77,428	10,000	4,963	92,391
4	92,391	10,000	5,862	108,253
5	108,253	10,000	6,815	125,068
6	125,068	10,000	7,826	142,894
7	142,894	10,000	8,897	161,791
8	161,791	10,000	10,033	181,824
9	181,824	10,000	11,237	203,060
10	203,060	10,000	12,513	225,573
11	225,573	10,000	13,866	249,439
12	249,439	10,000	15,300	274,740
13	274,740	10,000	16,821	301,561
14	301,561	10,000	18,433	329,994
15	329,994	10,000	20,142	360,136
16	360,136	10,000	21,953	392,089
17	392,089	10,000	23,874	425,963
18	425,963	10,000	25,909	461,872
19	461,872	10,000	28,068	499,940
20	499,940	10,000	30,356	$ 540,295

CITISTREET

Year	Start	Annual cont	Growth (0.23%)	End	Difference
1	50,000	10,000	3,452	63,452	138
2	63,452	10,000	4,294	77,746	317
3	77,746	10,000	5,189	92,935	544
4	92,935	10,000	6,140	109,074	821
5	109,074	10,000	7,150	126,224	1,156
6	126,224	10,000	8,224	144,448	1,554
7	144,448	10,000	9,364	163,812	2,021
8	163,812	10,000	10,577	184,388	2,565
9	184,388	10,000	11,865	206,253	3,193
10	206,253	10,000	13,233	229,486	3,913
11	229,486	10,000	14,688	254,174	4,735
12	254,174	10,000	16,233	280,407	5,667
13	280,407	10,000	17,875	308,283	6,722
14	308,283	10,000	19,620	337,903	7,909
15	337,903	10,000	21,475	369,378	9,242
16	369,378	10,000	23,445	402,822	10,733
17	402,822	10,000	25,539	438,361	12,398
18	438,361	10,000	27,763	476,124	14,252
19	476,124	10,000	30,127	516,252	16,312
20	516,252	10,000	32,639	$ 558,891	18,595

Projected difference $ 18,595

Assumptions: The tables shown above reflect the BGI LifePath 2030 offering in both plans. The Hartford and CitiStreet options shown above reflect:

1) historical 10-year annualized return, per Morningstar, as of 12/31/07 less the fee charged by each plan.
2) $50,000 beginning balance in each plan
3) bi-weekly contributions of $384.62 totaling $10,000 annually
4) growth column represents return per year calculated on the bi-weekly balance in an account net of fees

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Section 2 of 1998 L.M.C., ch. 23, reads as follows: "The powers and duties of the Board of Investment Trustees regarding the Deferred Compensation Plan of Montgomery County trust take effect when all trustees accept the trust agreement in writing."

Sec. 33-146B. Collectively Bargained Plans.

The County may establish and maintain one or more additional deferred compensation plans for employees covered by a collective bargaining agreement. In the case of any collectively bargained plan:

(a) The certified representative must assume the duties and responsibilities of the Board, except for the requirements of Section 33-61(a), and the certified representative must assume the duties and responsibilities of the Chief Administrative Officer and the County under this Article.

(b) The Board, Chief Administrative Officer, and County have no fiduciary or other responsibility for a collectively bargained plan except as required by federal law, including any regulation, ruling, or other guidance issued under that law.

(c) The certified representative must indemnify the County and provide fiduciary liability insurance protecting itself and the County in an amount agreed to by the County and certified representative through collective bargaining.

(d) The officers of the certified representative who have direct responsibility for plan administration, and the trustees of any trust established under this Section, must:

(1) provide financial disclosure to the participants of the plan in a form and manner at least as stringent as that required of the Board; and

(2) establish and conform to a code of ethical conduct, approved by participants in the plan, at least as stringent as that required of the Board.

(e) The collectively bargained plan, and its separate trust, custodial account or annuity contract, must meet, in form and operation, all applicable requirements of the Internal Revenue Code and any regulation, ruling, or other guidance issued under that law.

(f) Any trustee or fiduciary of a collectively bargained plan must not accept any direct or indirect compensation from any person who does business with that plan. (2004 L.M.C., ch. 30, § 1.)

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Montgomery County Career Fire Fighters Ass'n., Inc.

LOCAL 1664

August 24, 2005

Jim Brecker
Mondrian Investment Group
2001 Market Street, Suite 3810
Philadelphia, PA 19103-7049

Dear Mr. Brecker,

The Montgomery County Career Fire Fighters Association will be hosting the Professional Fire Fighters of Maryland 19th Biennial Convention and Training Session at the Carousel Resort Hotel in Ocean City, Maryland from September 25 through September 28, 2005. As a friend of our Local, we would like to invite your firm to attend and/or sponsor this important event, and to provide you with an opportunity to meet with fire union officials from all over the State of Maryland.

Since this is the first time that our Local has hosted the State Convention we want to make sure that everyone has an enjoyable experience. To help us put together the best State Convention ever, we ask that you consider one of the following sponsorships:

Platinum	$5,000.00	Silver	$1,500.00
Gold	$2,500.00	Brass	$ 750.00

Please make the check out to "MCCFFA State Convention" and mail to 932 Hungerford Drive, Suite 33-A, Rockville, Maryland 20850.

If you have any questions, please contact me at (301) 762-6611 and thank you for your support of our 2005 State Convention.

Yours truly,

John J. Sparks
President

cc: file

932 Hungerford Drive, Suite 33A, Rockville, MD 20850-1713 • Telephone: (301) 762-6611 • FAX: (301) 762-7390 • Website: www.iafflocal1664.com